

BRIAN HEAD TOWN, UTAH

Financial Statements
and
Supplementary Information
with
Independent Auditor's Report

Year Ended June 30, 2006

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Independent Auditor's Report

The Honorable Town Council
Brian Head Town

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the Brian Head Town (the Town) as of and for the year ended June 30, 2006, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the 2006 financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of the Town as of June 30, 2006, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 13, 2006 on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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Management's discussion and analysis on pages 3 through 13 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was made for the purpose of forming an opinion on the financial statements that collectively comprise the Town's basic financial statements. The individual fund statements described in the supplementary section of the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Hafen Buckner, Everett & Graff, PC

HAFEN, BUCKNER, EVERETT, & GRAFF, P.C.

December 13, 2006

BRIAN HEAD TOWN, UTAH

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MANAGEMENT'S DISCUSSION & ANALYSIS

This section of Brian Head Town's (the Town's) annual financial report presents our discussion and analysis of the Town's financial performance during the fiscal year ended June 30, 2006. Please read this discussion and analysis in conjunction with the Town's financial statements.

FINANCIAL HIGHLIGHTS

- The Town's total net assets at the close of the fiscal year totaled \$28,243,418. This amount is comprised of \$26,222,671 in capital assets net of related debt and \$2,020,746 in other net assets.
- General fund expenditures exceeded revenues by \$278,634 after all transfers between funds. Among the transfers was one from the general fund for \$117,445 to the capital projects fund for use on future capital projects.
- The general fund's ending fund balance of \$214,494 represents 11.05 percent of the total budgeted expenditures for the fiscal year ending June 30, 2007.
- General fund revenues brought in by building permits ended at 122 percent and land use fees at 186 percent of their original budgeted amounts. New construction of single-family dwellings remains strong. Last year, the Town issued its first multi-unit dwellings in over 20 years. This year, the Town issued another four multi-unit dwelling permits.
- The Town's total long-term debt decreased \$517,821. During the fiscal year, the Town refunded an existing general obligation bond.
- Total net assets for the Town's business-type activities increased by \$274,433.

OVERVIEW OF THE FINANCIAL STATEMENTS

The Town's annual financial report includes: 1) this discussion and analysis, which serves as an introduction to the Town's basic financial statements; 2) the basic financial statements comprised of the government-wide financial statements, fund financial statements, and notes to the financial statements; and 3) other supplementary information.

Government-wide financial statements. The government-wide financial statements include a statement of net assets and a statement of activities that provide a Town-wide perspective of the Town's overall financial status. These statements are prepared using accrual accounting methods similar to those used in preparing the financial statements of private-sector businesses.

- The *statement of net assets* presents information on all of the Town's assets and liabilities. The difference between assets and liabilities represents the Town's net assets. Increases or decreases in net assets, when viewed over a period of time, may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating, respectively.
- The *statement of activities* presents information reflecting how the Town's net assets changed during the fiscal year reported. All changes in net assets are reported as soon as the

underlying event giving rise to the change occurs irrespective of the timing of the related cash flows. Thus, all of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

Both of the government-wide financial statements distinguish between governmental activities, those principally supported by taxes and intergovernmental revenues, and business-type activities, those that are intended to recover all or a significant portion of their costs through user fees and charges. The government-wide financial statements can be found on pages 14 thru 16 of this report.

Fund financial statements. A fund is a group of related accounts used to maintain control over resources that have been segregated for specific activities or objectives. This segregation is also used to ensure and demonstrate compliance with finance-related legal requirements. The Town utilizes two types of funds: governmental funds and proprietary funds.

- *Governmental funds* account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, these statements are prepared using modified accrual accounting methods, which measure cash and other financial assets readily convertible to cash and their balances available for use at year-end. As a result, these statements provide a short-term perspective of the Town's general government operations and the basic services provided and may assist in determining the availability of financial resources that could be used in the near future to finance the Town's programs.

A reconciliation between the long-term perspective of the government-wide financial statements and the short-term perspective of the fund financial statements is provided on page 18 of this report.

The Town has identified three of its governmental funds to be major governmental funds requiring separate reporting. There are no governmental funds which are non-major funds.

- *Proprietary funds* account for the same functions and utilize the same accounting methods reported as business-type activities in the government-wide financial statements. Full accrual accounting methods are used and provide both long and short-term financial information. The Town uses enterprise funds, one type of proprietary fund, to account for its three business-type activities.

Notes to the financial statements. The notes to the financial statements provide additional information essential to understanding the government-wide and fund financial statements.

The notes to the financial statements are on pages 27 thru 43 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As was previously noted, increases or decreases in net assets, when viewed over a period of time, may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating, respectively. The Town's total net assets, assets in excess of liabilities, totaled \$28,243,418.

Governmental fund net assets continue to increase from \$21,085 million in 2004 to \$21,245 million in 2005, an increase of 0.75 percent, to \$21,754 million during fiscal year 2006, an increase of 2.34 percent. Likewise, business-type net assets increased 8.42 percent from the 2004 figures of \$5,688 million to \$6,211 million in 2005, and 4.27 percent to \$6,489 million in fiscal year 2006. This information is displayed in the tables and graphs below.

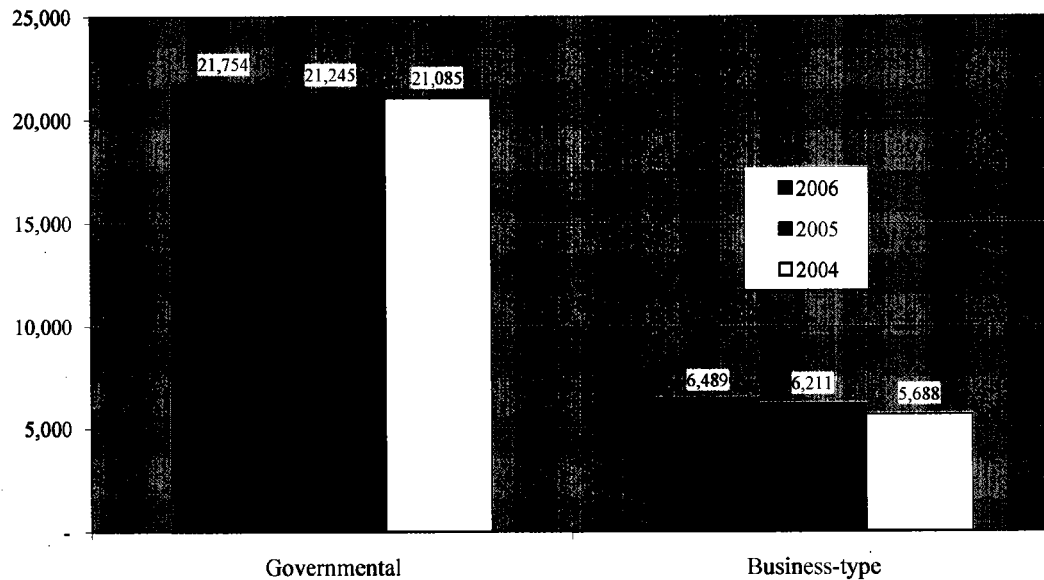
BRIAN HEAD TOWN'S NET ASSETS

	<u>Governmental Activities</u> <u>2006</u>	<u>Governmental Activities</u> <u>2005</u>	<u>Governmental Activities</u> <u>2004</u>	<u>Business-type Activities</u> <u>2006</u>	<u>Business-type Activities</u> <u>2005</u>	<u>Business-type Activities</u> <u>2004</u>
Current and Other Assets	\$ 3,235,959	\$ 3,693,446	\$ 3,567,066	\$ 1,223,078	\$ 1,211,723	\$ 940,637
Capital Assets	24,776,915	24,874,054	25,022,059	11,383,759	11,405,402	11,076,756
Total Assets	28,012,874	28,567,500	28,589,125	12,606,837	12,617,125	12,017,393
Long-term Debt Outstanding	4,194,617	4,531,439	4,802,978	5,743,386	5,949,473	5,953,405
Other Liabilities	2,064,047	2,790,752	2,700,771	374,244	455,724	375,378
Total Liabilities	6,258,664	7,322,191	7,503,749	6,117,630	6,405,197	6,328,783
Net Assets:						
Invested in Capital Assets, Net of Related Debt	20,739,927	20,342,615	20,219,081	5,482,744	5,455,929	5,769,751
Restricted	878,057	952,569	543,550	677,456	548,068	650,777
Unrestricted	136,226	(49,875)	322,745	329,007	207,931	(731,918)
Total Net Assets	\$ 21,754,210	\$ 21,245,309	\$ 21,085,376	\$ 6,489,207	\$ 6,211,928	\$ 5,688,610

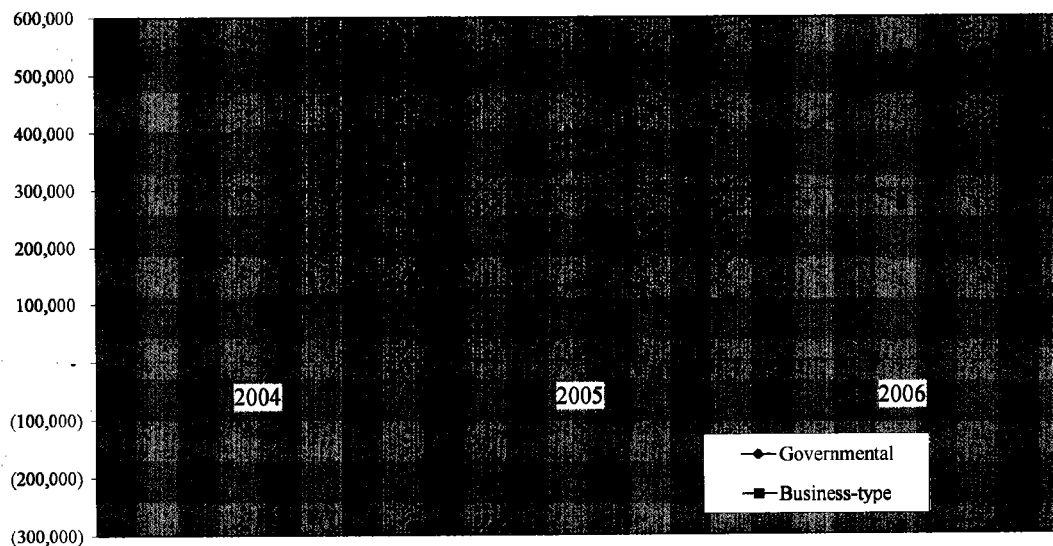
CHANGES IN BRIAN HEAD TOWN'S NET ASSETS

	<u>Governmental Activities</u> <u>2006</u>	<u>Governmental Activities</u> <u>2005</u>	<u>Governmental Activities</u> <u>2004</u>	<u>Business-type Activities</u> <u>2006</u>	<u>Business-type Activities</u> <u>2005</u>	<u>Business-type Activities</u> <u>2004</u>
Revenues:						
Program Revenues:						
Charges for Services	\$ 506,936	\$ 304,827	\$ 261,146	\$ 1,158,570	\$ 1,138,496	\$ 1,109,808
Operating Grants and Contributions	69,313	92,471	62,138			
Capital Grants and Contributions	47,227	46,667	164,984			
General Revenues:						
Property Taxes	851,982	913,477	768,527			
Other Taxes	638,142	674,293	567,687			
Special Assessments	263,351	353,793	142,291			
Impact Fees	3,550	3,366	2,299	171,555	86,056	56,382
Interest Income	108,190	175,044	96,053	29,959	14,073	12,676
Other Revenues	6,852	28,041	12,621		28,622	
	2,495,543	2,591,979	2,077,746	1,360,084	1,267,247	1,178,866
Expenses:						
General Government	717,144	699,254	696,040			
Public Safety	552,803	551,828	509,378			
Public Works	432,663	421,314	485,304			
Engineering Services	92,611	85,758	73,200			
Health and Sanitation	80,713	108,235	99,262			
Culture and Recreation	86,766	112,337	118,124			
Interest and Other Charges	243,849	302,343	378,211			
Water				397,562	425,795	444,837
Sewer				217,472	211,731	232,814
Snowmaking Lease				250,709	281,149	288,619
	2,206,549	2,281,069	2,359,519	865,743	918,675	966,270
Change in Net Assets						
Before Transfers	288,994	310,910	(281,773)	494,340	348,572	212,596
Transfers	219,907	(174,746)	394,747	(219,907)	174,746	(394,747)
Change in Net Assets	\$ 508,901	\$ 136,164	\$ 112,974	\$ 274,433	\$ 523,318	\$ (182,151)

**BRIAN HEAD'S NET ASSETS BY FUND TYPE
FY 2006, FY 2005 & FY 2004 COMPARISON
(In Thousands)**

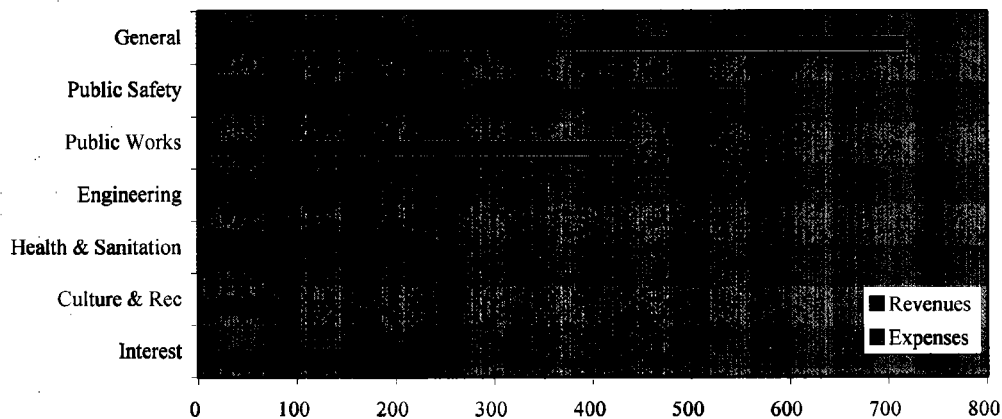


**CHANGES IN BRIAN HEAD'S NET ASSETS
BY FUND TYPE
FY 2006, FY 2005 & FY 2004 COMPARISON**

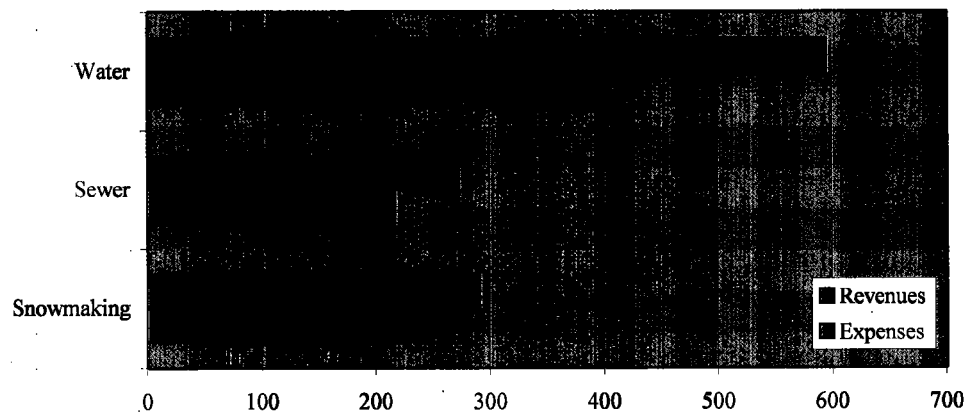


The following charts display program revenues and expenses for governmental activities and business-type activities for fiscal year 2006 as reflected in the statement of activities.

**PROGRAM REVENUES AND EXPENSES
GOVERNMENTAL ACTIVITIES FOR FY 2006**
(In Thousands)



**PROGRAM REVENUES AND EXPENSES
BUSINESS-TYPE ACTIVITIES FOR FY 2006**
(In Thousands)



GOVERNMENTAL FUNDS FINANCIAL ANALYSIS

As was previously noted, the Town's governmental funds provide a short-term perspective of the Town's general government operations and the financial resources available in the near future to finance the Town's programs. Differences between available financial resources and the short-term obligations of general government operations are reported as fund balances. Fund balances are designated as either reserved or unreserved. Reserved fund balances indicate amounts of the fund balance set aside for specific purposes or to meet specific requirements.

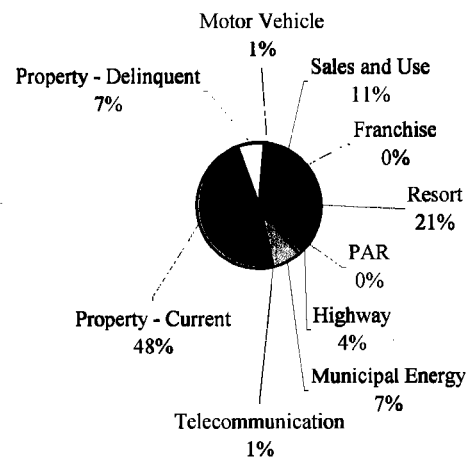
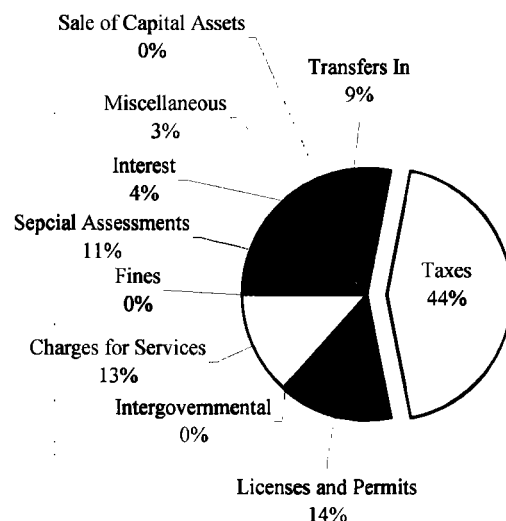
As of June 30, 2006, the Town's governmental funds, which include the general fund, all special revenue funds, debt service funds and capital project funds, report a combined fund balance of \$901,633. This combined balance represents a decrease of \$106,733 over last year's ending fund balances.

The general fund is the main operating fund of the Town. All governmental-type activities not accounted for in a special revenue fund, debt service fund or capital project fund are accounted for in the general fund. Accounting for activities in funds other than the general fund may be required by state regulations or local ordinances; or, the Town may simply desire to isolate the revenues and expenditures associated with a particular activity for matching purposes.

The general fund fund balance decreased by \$209,038 to \$214,494 during the fiscal year ending June 30, 2006. The \$214,494 fund balance represents approximately 11.05 percent of budgeted expenditures for the fiscal year ending June 30, 2007. Per Utah State Law (10-5-113(2)), the maximum in a town's general funds may not exceed 75 percent of the total estimated revenue of the general fund.

The following charts identify general fund revenue sources and function expenditures for fiscal year 2006.

REVENUES BY SOURCE GENERAL FUND FOR FY 2006



Taxes are the largest source of revenues to the general fund representing approximately 44 percent of total general fund revenues. Property taxes generated about 55 percent of the tax revenues. Resort, sales, and other taxes account for approximately 45 percent of all of the tax revenues generated in the general fund.

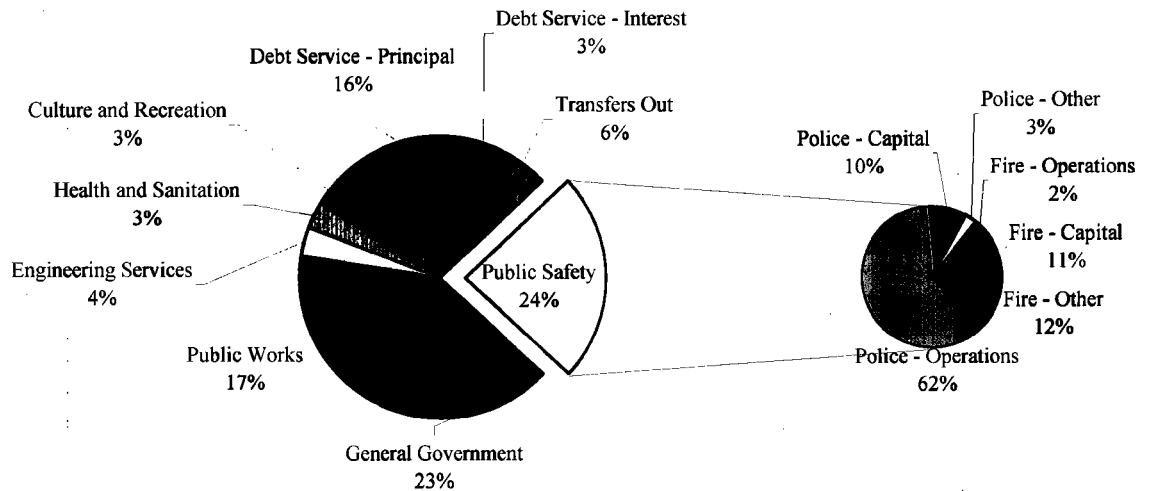
Licenses and permits account for 14 percent of the general fund revenues and are the second largest category. Approximately 53.6 percent of this revenue comes from the visitor service retail fee. Building and land use permits account for 45.8 percent, with the remaining revenue coming from business licenses and other permits.

Charges for services account for 13 percent of the general fund revenues. Nearly 65 percent of this revenue is generated from sanitation and landfill fees. Another 34 percent is derived from shop charges due from the water and sewer funds.

Special assessments revenue as collected for the Steam Engine Meadows SID account for 11 percent of the general fund revenues.

Other sources of notable income are a result of transfers in, interest, and miscellaneous income. Intergovernmental revenue, fines, and sale of capital assets contributed less than 1 percent each to the general fund.

EXPENDITURES BY FUNCTION GENERAL FUND FOR FY 2006



Expenditures for public safety totaled 24 percent of all general fund expenditures and comprised the largest category in the general fund. Police services constitute 75 percent of public safety costs, with fire services making up the other 25 percent. Approximately 83 percent of the police expenditures were for operating expenditures.

General government expenditures accounted for 23 percent of the total expenditures in the general fund constituting the second largest category. Approximately 41 percent of all general expenditures were for administrative costs. An additional 21 percent was for transportation services, followed by 9 percent for business development.

Expenditures associated with public works totaled 17 percent of all general fund expenditures. Approximately 44 percent of all expenditures were for capital outlay purchases for snow removal. Equipment maintenance and equipment leases account for another 29 percent. The remaining 27 percent was for operating expenditures. All road improvements for the year were completed as capital projects.

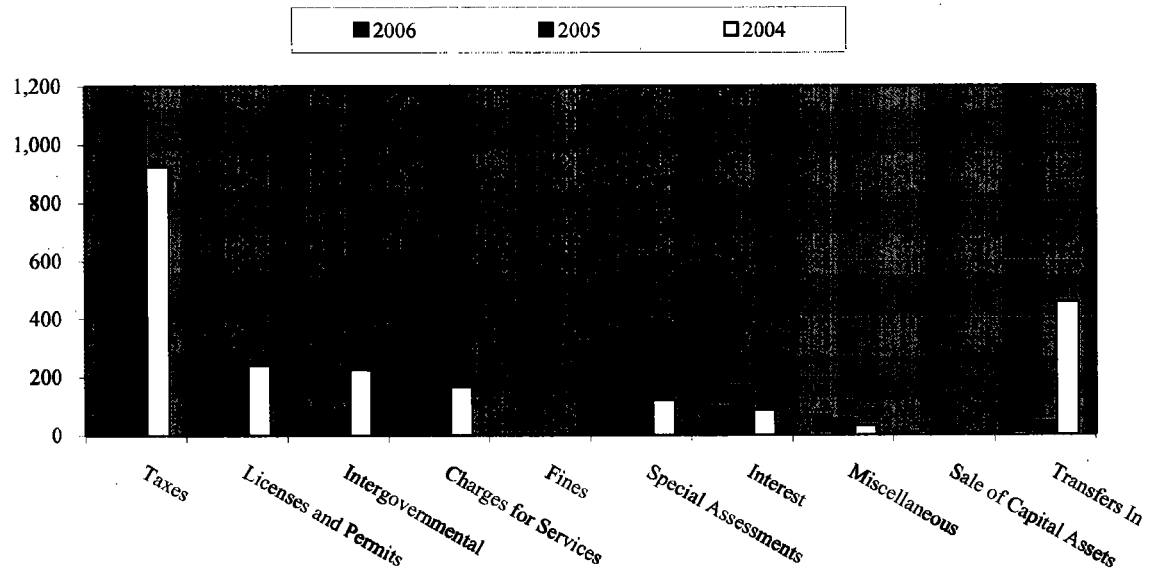
Debt service principal represents 16 percent of the 2006 fiscal year expenditures. Roughly 65 percent of this amount was for additional bond principal called on the Steam Engine Meadows SID. Last fiscal year additional revenues were collected as nine (9) lots in the subdivision were sold and the outstanding balance of the SID relative to those parcels was paid in full.

Transfers from the general fund to other governmental funds accounted for 6 percent of all general fund expenditures. Approximately 72 percent of total transfers from the general fund were to capital project funds for current or anticipated capital projects. An additional 28 percent of these transfers were made to cover debt service obligations.

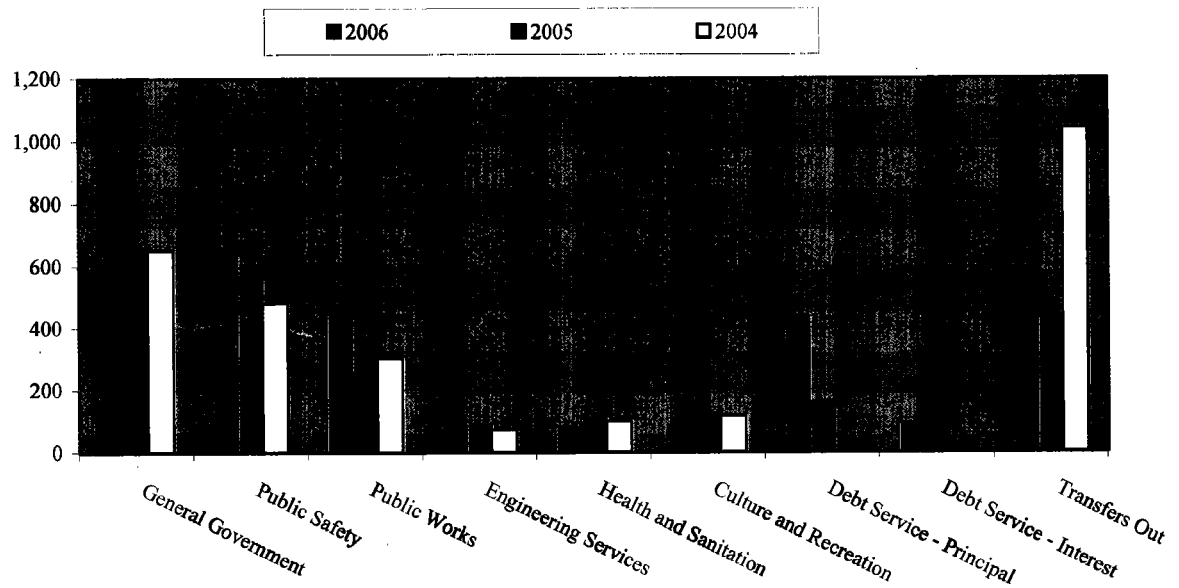
Engineering services, health and sanitation, culture and recreation, and debt service interest comprise the remaining categories of expenditures in the general fund. The combined percentage of expenditures in these categories accounted for 13 percent of total general fund expenditures.

The following graphs compare general fund revenues and expenditures by source and function for three (3) fiscal years.

REVENUES BY SOURCE
GENERAL FUND FOR FY 2006, FY 2005 & FY 2004
(In Thousands)



EXPENDITURES BY FUNCTION
GENERAL FUND FOR FY 2006, FY 2005 & FY 2004
(In Thousands)



As was previously noted, the Town maintains three enterprise funds to account for its business-type activities. The separate enterprise fund statements provide the same information, with more detail, as the information provided for business-type activities in the government-wide financial statements.

GENERAL FUND BUDGETARY HIGHLIGHTS

The fiscal year 2006 originally adopted budget for the general fund totaled \$1,973,755. The Town Council approved a mid-year budget increase of \$128,000. A final revision at the end of the fiscal year increased the budget by another \$48,000. Total budget modifications equaled approximately \$176,000 for the entire fiscal year. The main reasons, which necessitated these revisions, are as follows:

- Visitor services retail fee revenues were increased \$20,000 for actual amount received.
- Licenses and permits revenues were increased \$48,000 for the actual amount received.
- Shop charge revenues were increased \$78,900 for the actual amount received. The Town received over \$22,000 for snow plowing from Cedar Breaks National Monument. Also, the initial budget did not reflect proportionate shares of equipment lease payments from the water and sewer funds.
- Sale of fixed asset revenues were decreased \$32,000 for actual amount received.
- Streets capital outlay expense was increased \$158,000 to cover the purchase of a loader mount snow blower.
- Capital projects that were anticipated to be complete were not and the unspent funds of \$117,445 were appropriated for completion.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

As of June 30, 2006, the Town had invested \$41,382,234, net of accumulated depreciation, in capital assets for its governmental and business-type activities.

Capital asset acquisitions and projects costing \$5,000 or more and put into service during the current fiscal year included:

- \$25,989 for the purchase of a 2005 Dodge Ram 2500 for public safety department funded from the general fund
- \$16,436 for the purchase of two (2) 2006 Arctic Cat snowmobiles for public safety department funded from the general fund
- \$65,000 for the purchase of a 2006 Ford brush truck for public safety department funded from the general fund, to be reimbursed through grant monies in 2007
- \$13,660 for purchase of Spillman software update for public safety department funded from the general fund
- \$11,871 for the purchase of a 12' snowplow for public works department funded from the general fund
- \$12,642 for the purchase of a 14' snowplow for public works department funded from the general fund
- \$157,400 for the purchase of a loader mount snow blower for public works department funded from the general fund
- \$31,883 for road improvements funded by B & C road funds and capital improvement funds

The following chart compares Brian Head Town's capital assets, net of depreciation, for three (3) fiscal years. Additional information regarding the Town's capital assets can be found in the footnotes to the financial statements.

BRIAN HEAD TOWN'S CAPITAL ASSETS
(Net of Depreciation)

	<u>Governmental</u> <u>Activities</u>	<u>Governmental</u> <u>Activities</u>	<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>
<u>Capital Assets</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
Land and Water Rights	\$ 18,972,980	\$ 18,972,980	\$ 18,965,180	\$ 3,203,176	\$ 3,203,176	\$ 3,203,176
Buildings	2,415,831	2,415,831	2,404,448			
Improvements and Infrastructure	2,325,167	2,293,334	2,287,252			
Water, Sewer, and Snowmaking				7,548,898	7,460,586	6,900,898
Machinery and Equipment	969,067	823,314	867,075	4,191,914	4,198,656	4,203,716
Construction in Progress	1,755,201	1,732,191	1,732,191			
TOTALS:	\$ 26,438,246	\$ 26,237,650	\$ 26,256,146	\$ 14,943,988	\$ 14,862,418	\$ 14,307,790

Long-term debt

At June 30, 2006, the Town had total debt outstanding of \$9,792,528. Of this amount, \$7,936,528 is considered general obligation debt, which is secured by the full faith and credit of the Town. Revenue bonds payable, secured by future cash flows from specific revenue sources, total \$856,000. Other debt remaining of \$1,000,000 is comprised of special assessment debt for which the Town is liable if property owners fail to pay their related assessments.

BRIAN HEAD'S OUTSTANDING DEBT

	<u>Governmental</u>	<u>Governmental</u>	<u>Governmental</u>	<u>Business-type</u>	<u>Business-type</u>	<u>Business-type</u>
<u>Long Term Debt</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
General Obligation Bonds	2,600,000	2,435,000	2,505,000	5,336,528	5,466,349	90,643
Revenue Bonds:						
Water Revenue				352,000	395,000	436,000
Snowmaking Revenue						3,249,000
Municipal Building Authority:						
Lease Revenue Bonds	504,000	584,000	684,000			
Special Improvement Districts:						
Assessment Bonds	1,000,000	1,430,000	1,590,000			
Revenue Anticipation Notes						2,035,000
TOTALS:	4,104,000	4,449,000	4,779,000	5,688,528	5,861,349	5,810,643

During the fiscal year, the Town issued debt totaling \$2,280,000 for refunding purposes of the 1999 GO Bond. When the general obligation refunding bond was issued, Moody's Investors Service assigned an Aaa rating to the issue.

State statute limits the amount of debt a town may issue to four percent of the fair market value of the taxable property within the town's jurisdiction. An additional eight percent of indebtedness may be issued for water, sewer or electricity when such public works are owned and controlled by the municipality. The current limitation for the Town is approximately \$24,285,277 comprised of \$8,095,092 for the four percent and \$16,190,185 for the additional eight percent. In any case, the Town's outstanding debt is below the statutory debt limits.

Additional information on the outstanding debt of the Town is located in the footnotes to the financial statements.

REQUESTS FOR FINANCIAL INFORMATION

This financial report is designed to provide users with a general overview of the Town's finances and demonstrate accountability for the sources and uses of Town funding. Questions concerning information contained in this report or requests for additional financial information should be addressed to the Town Treasurer, Brian Head Town, P.O. Box 190068, 56 North Highway 143, Brian Head, Utah, 84719.

BASIC FINANCIAL STATEMENTS

Brian Head Town
Government-wide Statement of Net Assets
As of June 30, 2006

	Primary Government		Total
	Governmental Activities	Business-type Activities	
Assets			
Cash and Cash Equivalents	\$ 862,039	\$ 215,619	\$ 1,077,658
Receivables			
Accounts (net of allowance)	60,313	171,955	232,268
Assessments	990,000	-	990,000
Other Governments	821,365	-	821,365
Prepaid Expenses	-	-	-
Other	216,736	158,048	374,784
Restricted Cash and Cash Equivalents	285,506	677,456	962,962
Capital Assets			
Land and Water Rights	18,972,980	3,203,176	22,176,156
Buildings	2,415,831	-	2,415,831
Improvements and Infrastructure	2,325,167	-	2,325,167
Water, Sewer and Snowmaking Systems	-	7,548,898	7,548,898
Machinery and Equipment	969,067	4,191,914	5,160,981
Construction in Progress	1,755,201	-	1,755,201
Improvements and Infrastructure			
Accumulated Depreciation	(1,503,702)	(3,717,858)	(5,221,560)
Internal Balances	(157,629)	157,629	-
Total Assets	\$ 28,012,874	\$ 12,606,837	\$ 40,619,711
Liabilities and Net Assets			
Accounts Payable	\$ 87,611	\$ 11,760	\$ 99,370
Accrued Liabilities	180,657	64,844	245,501
Deferred Revenues	1,795,779	297,640	2,093,419
Noncurrent Liabilities			
Due Within One Year	249,000	-	249,000
Due Beyond One Year	3,945,617	5,743,386	9,689,003
Total Liabilities	6,258,664	6,117,630	12,376,293
Net Assets			
Invested in Capital Assets, Net of Related Debt	20,739,927	5,482,744	26,222,671
Restricted For:			
Debt Service	496,721	297,640	794,361
Capital Projects	381,336	379,816	761,152
Unrestricted (Deficit)	136,226	329,007	465,233
Total Net Assets	21,754,210	6,489,207	28,243,418
Total Liabilities and Net Assets	\$ 28,012,874	\$ 12,606,837	\$ 40,619,711

See Accompanying Notes to Basic Financial Statements

Brian Head Town
Government-wide Statement of Activities
For The Year Ending June 30, 2006

Functions/Programs	Expenses	Program Revenues		
		Charges for	Operating	Capital
		Services	Grants and	Grants and
			Contributions	Contributions
Primary Government:				
Governmental Activities:				
General Government	\$ 717,144	\$ 154,936	\$ -	\$ 47,227
Public Safety	552,803	14,554	47,041	-
Public Works	432,663	-	22,272	-
Engineering Services	92,611	129,297	-	-
Health and Sanitation	80,713	208,129	-	-
Culture and Recreation	86,766	20	-	-
Interest and Other Charges	243,849	-	-	-
Total Government Activities	2,206,549	506,936	69,313	47,227
Business-type Activities:				
Water	397,562	594,992	-	-
Sewer	217,472	272,506	-	-
Snowmaking Lease	250,709	291,072	-	-
Total Business-type Activities	865,743	1,158,570	-	-
Total Government	\$ 3,072,292	\$ 1,665,506	\$ 69,313	\$ 47,227

General Revenues:

Taxes:

Property Taxes, Levied for General Purposes

Property Taxes, Levied for Debt Service

Sales Taxes

Franchise Taxes

Public Service Taxes

Special Assessments

Impact Fees

Interest Income

Miscellaneous

Disposal of Capital Assets

Transfers

Total General Revenues, Special Items, and Transfers

Change in Net Assets

Net Assets-Beginning

Net Assets-Ending

See Accompanying Notes to Basic Financial Statements

Net (Expense) Revenue and Changes in Net Assets		
Primary Government		
Governmental Activities	Business-type Activities	Total
\$ (514,981)	\$ -	\$ (514,981)
(491,208)	-	(491,208)
(410,391)	-	(410,391)
36,686	-	36,686
127,416	-	127,416
(86,746)	-	(86,746)
(243,849)	-	(243,849)
(1,583,073)	-	(1,583,073)
-	197,430	197,430
-	55,034	55,034
-	40,363	40,363
-	292,827	292,827
(1,583,073)	292,827	(1,290,246)
583,518	-	583,518
268,464	-	268,464
506,280	-	506,280
84,325	-	84,325
47,537	-	47,537
263,351	-	263,351
3,550	171,555	175,105
108,190	29,959	138,149
8,485	-	8,485
(1,633)	-	(1,633)
219,907	(219,907)	(0)
2,091,974	(18,394)	2,073,580
508,901	274,433	783,334
21,245,309	6,214,774	27,460,083
\$ 21,754,210	\$ 6,489,207	\$ 28,243,417

See Accompanying Notes to Basic Financial Statements

Brian Head Town
Balance Sheet
Governmental Funds
As of June 30, 2006

	General	Debt Service	Other Governmental Funds	Total Governmental Funds
Assets				
Cash and Cash Equivalents	\$ 685,678	\$ -	\$ 176,361	\$ 862,039
Receivables, net	60,313	-	-	60,313
Special Assessments Receivable	990,000	-	-	990,000
Due from Other Funds	-	249,499	186,864	436,363
Receivables from Other Governments	583,053	238,312	-	821,365
Prepaid Expenses	-	-	-	-
Restricted Cash and Cash Equivalents	212,709	72,797	-	285,506
Total Assets	\$ 2,531,753	\$ 560,608	\$ 363,225	\$ 3,455,586
Liabilities and Fund Balances				
Liabilities:				
Accounts Payable	\$ 83,931	\$ -	\$ 3,680	\$ 87,611
Accrued Liabilities	76,571	-	-	76,571
Due to Other Funds	593,992	-	-	593,992
Payable to Other Governments	-	-	-	-
Deferred Revenue	1,562,765	233,014	-	1,795,779
Total Liabilities	2,317,259	233,014	3,680	2,553,953
Fund Balances:				
Reserved for:				
Debt Service	169,127	327,594	-	496,721
Capital Projects	21,791	-	359,545	381,336
Unreserved, Reported in:				
General Fund	23,576	-	-	23,576
Capital Project Funds	-	-	-	-
Total Fund Balances	214,494	327,594	359,545	901,633
Total Liabilities and Fund Balances	\$ 2,531,753	\$ 560,608	\$ 363,225	\$ 3,455,586

See Accompanying Notes to Basic Financial Statements

Brian Head Town
Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Assets
As of June 30, 2006

Total fund balances--governmental funds	\$	901,633
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Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. These assets consist of:

Land	\$	18,972,980	
Buildings		2,415,831	
Improvements and Infrastructure		2,325,167	
Machinery and Equipment		969,067	
Construction in Progress		1,755,201	
Accumulated depreciation		<u>(1,503,702)</u>	
Total capital assets			24,934,544

Some liabilities are not due and payable in the current period and therefore are not reported in the funds. Those liabilities consist of:

Bonds Payable	\$	(4,049,142)	
Capital Leases		(145,475)	
Accrued Interest		(104,086)	
Unamortized Bond Issue Costs and Deferred Interest		<u>216,736</u>	
Total long-term liabilities			(4,081,967)

Net assets of governmental activities	\$	<u>21,754,210</u>
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See Accompanying Notes to Basic Financial Statements

Brian Head Town
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2006

	General	Debt Service	Other Governmental Funds	Total Governmental Funds
Revenues				
Property Taxes	\$ 583,518	\$ 268,464	\$ -	\$ 851,982
Franchise, Sales and Other Taxes	464,749	-	-	464,749
Licenses and Permits	341,960	-	-	341,960
Intergovernmental	69,313	-	-	69,313
Charges for Services	320,314	-	-	320,314
Fines and Forfeitures	7,073	-	-	7,073
Special Assessments	263,351	-	-	263,351
Interest Income	98,838	1,811	7,541	108,190
Miscellaneous	70,241	-	-	70,241
Total Revenues	<u>2,219,357</u>	<u>270,275</u>	<u>7,541</u>	<u>2,497,173</u>
Expenditures				
Current:				
General Government	622,937	-	-	622,937
Public Safety	630,455	-	-	630,455
Public Works	444,854	-	-	444,854
Engineering Services	92,611	-	-	92,611
Health and Sanitation	80,714	-	-	80,714
Culture and Recreation	81,520	-	-	81,520
Debt Service:				
Principal	430,000	131,735	-	561,735
Interest and Other Charges	91,890	145,367	-	237,257
Bond Issuance Costs	-	51,299	-	51,299
Capital Outlay	23,010	-	60,587	83,597
Total Expenditures	<u>2,497,991</u>	<u>328,401</u>	<u>60,587</u>	<u>2,886,979</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(278,634)</u>	<u>(58,126)</u>	<u>(53,046)</u>	<u>(389,806)</u>
Other Financing Sources (Uses)				
Proceeds From Long-term Debt	-	2,280,000	-	2,280,000
Proceeds From Sale of Capital Assets	11,868	-	-	11,868
Deposit to Bond Refunding Escrow	-	(2,228,702)	-	(2,228,702)
Transfers In	219,907	44,734	117,445	382,086
Transfers Out	(162,179)	-	-	(162,179)
Total Other Financing Sources (Uses)	<u>69,596</u>	<u>96,032</u>	<u>117,445</u>	<u>283,073</u>
Excess (Deficiency) of Revenues and Other Financing Sources (Uses) Over Revenues	<u>(209,038)</u>	<u>37,906</u>	<u>64,399</u>	<u>(106,733)</u>
Fund Balances - Beginning	<u>423,532</u>	<u>289,688</u>	<u>295,146</u>	<u>1,008,366</u>
Fund Balances - Ending	<u>\$ 214,494</u>	<u>\$ 327,594</u>	<u>\$ 359,545</u>	<u>\$ 901,633</u>

See Accompanying Notes to Basic Financial Statements

Brian Head Town
Reconciliation of the Change in Fund Balances of Governmental Funds
to the Statement of Activities
As of June 30, 2006

Net change in fund balances--total governmental funds \$ (106,733)

Amounts reported for governmental activities in the statement of activities are different due to the following:

Capital outlays are reported as expenditures in governmental funds. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. This is the amount of capital outlays reported in the current year. 362,341

In the statement of activities, only the gain on the sale of capital assets is reported, whereas in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net assets differs from the change in fund balance by the cost of assets sold. (13,500)

Depreciation expense on capital assets is reported in the Government-wide Statement of Activities and Changes in Net Assets, but they don't require the use of current financial resources. Therefore, depreciation expense is not reported as an expenditure in governmental funds. (288,353)

Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of long-term debt is reported as an expenditure in governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. In the current year, proceeds and repayment of long-term debt consisted of the following:

Bond principal retirement	\$ 2,765,349	
Capital lease payments	25,088	
Bond proceeds	(2,280,000)	
Bond issue costs	51,299	
Total long-term debt proceeds and repayment		561,736

Some items reported in the statement of activities do not require the use of current financial resources and therefore, are not reported as expenditures in governmental funds.

These activities consist of the following:

Decrease in accrued interest	\$ 1,586	
Bond issuance costs and deferred interest amortized	(8,176)	
Total additional expenditures		(6,590)

Changes in net assets of governmental activities \$ 508,902

See Accompanying Notes to Basic Financial Statements

Brian Head Town
Statement of Net Assets
Proprietary Funds
As of June 30, 2006

	Enterprise Funds			
	Water	Sewer	Snowmaking Lease	Total
Assets				
Current Assets:				
Cash and Cash Equivalents	\$ -	\$ -	\$ 215,619	\$ 215,619
Accounts Receivable	120,582	51,373	-	171,955
Due from Other Funds	106,442	130,882	-	237,324
Bond Issue Costs	40,942	-	117,106	158,048
Total Current Assets	267,966	182,255	332,725	782,946
Property and Equipment:				
Land and Water Rights	2,978,176	-	225,000	3,203,176
Water Distribution System/Sewer System	5,515,525	2,033,373	-	7,548,898
Machinery and Equipment	68,145	59,395	4,064,374	4,191,914
Less: Accumulated Depreciation	(1,673,828)	(676,911)	(1,367,119)	(3,717,858)
Total Property and Equipment	6,888,018	1,415,857	2,922,255	11,226,130
Noncurrent Assets:				
Restricted Cash and Cash Equivalents	272,717	107,099	297,640	677,456
Total Noncurrent Assets	272,717	107,099	297,640	677,456
Total Assets	\$ 7,428,701	\$ 1,705,211	\$ 3,552,620	\$ 12,686,532

See Accompanying Notes to Basic Financial Statements

Brian Head Town
Statement of Net Assets
Proprietary Funds
As of June 30, 2006

Liabilities

Current Liabilities:

Accounts Payable	\$ 8,290	\$ 3,470	\$ -	\$ 11,760
Accrued Liabilities	26,915	405	37,524	64,844
Due to Other Funds	-	-	79,695	79,695
Current Portion of Long-term Liabilities	182,475	17,508	145,000	344,983
Total Current Liabilities	217,680	21,383	262,219	501,282

Long-term Liabilities

Bonds Payable	2,485,957	27,429	3,230,000	5,743,386
Capital Lease Obligations	-	-	-	-
Less Current Portion of Long-term debt	(182,475)	(17,508)	(145,000)	(344,983)
Deferred Revenue	-	-	297,640	297,640
Total Long-term Liabilities	2,303,482	9,921	3,382,640	5,696,043
Total Liabilities	2,521,162	31,304	3,644,859	6,197,325

Net Assets

Invested in Capital Assets, Net of Related Debt	4,402,061	1,388,428	(307,745)	5,482,744
Restricted For:				
Debt Service	-	-	297,640	297,640
Capital Assets	272,717	107,099	-	379,816
Unrestricted (Deficit)	232,761	178,380	(82,134)	329,007
Total Net Assets	4,907,539	1,673,907	(92,239)	6,489,207

Total Liabilities and Net Assets	\$ 7,428,701	\$ 1,705,211	\$ 3,552,620	\$ 12,686,532
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See Accompanying Notes to Basic Financial Statements

Brian Head Town
Statement of Revenues, Expenses, and Changes in Fund Net Assets
Proprietary Funds
For the Year Ended June 30, 2006

	Enterprise Funds			Totals
	Water	Sewer	Snowmaking Lease	
Operating Revenues:				
Charges for Services	\$ 594,992	\$ 272,506	\$ 291,072	\$ 1,158,570
Total Operating Revenues	594,992	272,506	291,072	1,158,570
Operating Expenses:				
Salaries and Wages	39,468	38,167	-	77,635
Employee Benefits	22,455	20,633	-	43,087
Operating Supplies and Materials	31,247	8,732	-	39,979
Professional and Technical Services	19,108	1,838	-	20,946
Conferences and Travel	390	1,002	-	1,392
Miscellaneous	7,482	332	16	7,830
Utilities and Telephone	14,761	21,460	-	36,221
Repair and Maintenance	45,562	60,188	-	105,750
Lease Expense	8,485	-	-	8,485
Wastewater Treatment Fee	-	14,400	-	14,400
Depreciation and Amortization	123,263	48,482	110,503	282,248
Total Operating Expenditures	312,221	215,233	110,519	637,973
Operating Income (Loss)	282,771	57,273	180,553	520,597
Nonoperating Revenues (Expenses):				
Interest Revenue	8,474	2,928	18,557	29,959
Interest Expense	(85,341)	(2,239)	(140,190)	(227,770)
Impact Fees	112,254	59,301	-	171,555
Gain / (Loss) on Disposition of Assets	-	-	-	-
Total Nonoperating Revenue (Expenses)	35,387	59,990	(121,633)	(26,257)

See Accompanying Notes to Basic Financial Statements

Brian Head Town
Statement of Revenues, Expenses, and Changes in Fund Net Assets
Proprietary Funds
For the Year Ended June 30, 2006

	Enterprise Funds			Totals
	Water	Sewer	Snowmaking Lease	
Income (Loss) Before Contributions and Transfers	318,157	117,263	58,920	494,340
Operating Transfers:				
Transfers In	-	599,798	7,900	607,698
Transfers Out	(724,691)	(102,914)	-	(827,605)
Net Operating Transfers	(724,691)	496,884	7,900	(219,907)
Net Income	(406,534)	614,147	66,820	274,433
Net Assets - Beginning	5,314,073	1,059,760	(159,059)	6,214,774
Net Assets - Ending	<u>\$ 4,907,539</u>	<u>\$ 1,673,907</u>	<u>\$ (92,239)</u>	<u>\$ 6,489,207</u>

See Accompanying Notes to Basic Financial Statements

Brian Head Town
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2006

	Enterprise Funds			Totals
	Water	Sewer	Snowmaking Lease	
Cash Flows from Operating Activities				
Receipts from Customers and Users	\$ 546,912	\$ 254,895	\$ 291,072	\$ 1,092,879
Payments to Suppliers	(166,427)	(108,615)	37,508	(237,534)
Payments to Employees	(61,923)	(58,799)	-	(120,722)
Net Cash Provided by Operating Activities	<u>318,562</u>	<u>87,481</u>	<u>328,580</u>	<u>734,623</u>
Cash Flows from Noncapital Financing Activities				
Interfund Accounts Receivable/Payable	115,896	34,305	745	150,946
Transfers to Other Funds	(724,691)	(102,914)	-	(827,605)
Transfers from Other Funds	-	599,798	7,900	607,698
Deferred Revenue	-	-	-	-
Net Cash Provided (Used) by Noncapital and Related Financing Activities	<u>(608,795)</u>	<u>531,189</u>	<u>8,645</u>	<u>(68,961)</u>
Cash Flows from Capital and Related Financing Activities				
Proceeds from Debt	-	-	-	-
Impact Fees Collected	112,254	59,301	-	171,555
Acquisition and Construction of Capital Assets	-	(599,798)	-	(599,798)
Disposition of Capital Assets	511,485	-	-	511,485
Principal Payments on Debt	(189,454)	(16,633)	-	(206,087)
Interest Payments on Debt	(85,341)	(2,239)	(140,190)	(227,770)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>348,944</u>	<u>(559,369)</u>	<u>(140,190)</u>	<u>(350,615)</u>
Cash Flows from Investing Activities				
Interest Income	<u>8,474</u>	<u>2,928</u>	<u>18,557</u>	<u>29,959</u>
Net Cash Provided by Investing Activities	<u>8,474</u>	<u>2,928</u>	<u>18,557</u>	<u>29,959</u>
Net Increase (Decrease) in Cash and Cash Equivalents	<u>67,185</u>	<u>62,229</u>	<u>215,592</u>	<u>345,006</u>
Cash and Cash Equivalents as of July 1	<u>205,532</u>	<u>44,870</u>	<u>297,666</u>	<u>548,068</u>
Cash and Cash Equivalents as of June 30	<u>\$ 272,717</u>	<u>\$ 107,099</u>	<u>\$ 513,258</u>	<u>\$ 893,074</u>

See Accompanying Notes to Basic Financial Statements

Brian Head Town
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2006

	Enterprise Funds			
	Water	Sewer	Snowmaking Lease	Totals
Reconciliation to Operating Income				
Operating Income (Loss)	\$ 282,771	\$ 57,273	\$ 180,553	\$ 520,597
Adjustments to reconcile operating income to net cash provided by operating activities				
Depreciation and Amortization	123,263	48,482	110,503	282,248
(Increase) Decrease in Accounts Receivable	(48,080)	(17,611)	-	(65,691)
Increase (Decrease) in Accounts Payable	2,648	(595)	-	2,053
Increase (Decrease) in Accrued Liabilities	(42,040)	(68)	37,524	(4,584)
Net Cash Provided by (used for) Operating Activities	<u>\$ 318,562</u>	<u>\$ 87,481</u>	<u>\$ 328,580</u>	<u>\$ 734,623</u>
 Noncash Investing, Capital and Financing Activities:				
	\$ -	\$ -	\$ -	\$ -

See Accompanying Notes to Basic Financial Statements

REQUIRED SUPPLEMENTARY INFORMATION

BRIAN HEAD TOWN, UTAH
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Town operates under a council-manager form of government and provides the following services: Public Safety-Police and Fire, Highways and Streets, Sanitation, Health and Social Services, Culture and Recreation, Public Improvements, Planning and Zoning, General Administrative Services, Water, and Sewer Services.

The financial statements of the Town have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. Proprietary funds apply Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989 that do not conflict with or contradict GASB pronouncements. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the government's accounting policies are described below.

Reporting Entity - For financial reporting purposes, the reporting entity includes all funds and authorities for which the Town holds corporate powers. The Town has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the Town are such that exclusion would cause the financial statements of Brian Head Town to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria are included in Governmental Accounting Standards Board Statement No. 14 and include appointing a voting majority of an organization's governing body and the ability of the Town to impose its will on that organization or the potential for the organization to provide specific financial benefits to, or impose specific financial burdens on the Town.

As required by generally accepted accounting principles (GAAP), these financial statements present Brian Head Town, Utah (the primary government) and its component units. The component units are included in the Town's reporting entity because of the significance of their operational or financial relationships with the Town.

Based on the criteria established by Governmental Accounting Standards Board Statement No. 14, the Town has determined that the Municipal Building Authority of Brian Head Town, Utah is a component unit of the Town.

Municipal Building Authority of Brian Head Town, Iron County, Utah

The Municipal Building Authority of the Town of Brian Head, Utah (the Authority) was formally recognized by the State of Utah as an incorporated entity on July 20, 1995. The Authority was formed to accomplish the public purposes for which Brian Head Town exists by acquiring, improving, or extending one or more projects and financing the cost of such projects on behalf of Brian Head Town. The Authority is governed by a board of trustees comprised of the elected officials of Brian Head Town. Transactions of the Authority are blended into the audit report issued by Brian Head Town. No separate audit report is issued by the Authority.

BRIAN HEAD TOWN, UTAH
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Government-wide and fund financial statements – The government-wide financial statements (the statement of net assets and the statement of changes in net assets) report information about the primary government (the Town) and its blended component unit. These statements include the financial activities of the overall government. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the Town's governmental activities. Direct expenses are those that are specifically associated with a function and, therefore, are clearly identifiable to a particular function. Depreciation expense for capital assets that can specifically be identified with a function are included in its direct expenses. Depreciation expense for "shared" capital assets are ratably included in the direct expenses of the appropriate functions. Interest on general long-term liabilities is considered an indirect expense and is reported in the statement of activities as a separate line item. Program revenues include 1) fees and charges paid by customers and other recipients of goods or services offered by a given function, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Revenues that are not classified as program revenues, including property taxes, are presented as general revenues.

The fund financial statements provide information about the Town's funds. Separate statements for each fund category (governmental and proprietary funds) are presented. The emphasis of fund financial statements is on major individual governmental funds and major individual enterprise funds, and each is displayed in a separate column.

The Town reports the following major governmental funds:

- The general fund is the Town's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.
- The debt service fund accounts for resources accumulated and payments made for principal and interest on general obligation bonds.
- The capital projects funds accounts for resources accumulated and payments made for the acquisition and improvement of sites; construction and remodel of facilities; and procurement of equipment, necessary for providing services within the Town.

The Town reports the following major proprietary funds:

- The water fund accounts for the activities of the Town's water distribution operations.

BRIAN HEAD TOWN, UTAH
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

- The sewer fund accounts for the activities of the Town's sewer collection operations.
- The snowmaking lease fund accounts for the activities of the Town's leasing of snowmaking equipment to the ski resort operations.

Measurement focus, basis of accounting, and financial statement presentation – The government-wide fund financial statement is reported using the economic resources measurement focus. The government-wide and agency fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the Town receives value without directly giving equal value in exchange, include property taxes, grants, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which taxes are levied. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental And financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The Town considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end. Property taxes and interest are considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when the Town receives cash. Expenditures generally are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt and claims which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current period is considered to be measurable and available when cash is received by the Town.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Town's water fund and sewer fund are charges to customers for sales and services. The water fund and sewer fund also recognize as operating revenue hookup fees intended to recover the cost of

BRIAN HEAD TOWN, UTAH
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

of connecting new customers to the system. Operating expenses for the enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

Budgetary Data — The Town adopts an annual budget for Governmental and Enterprise Funds on or before June 22 for the fiscal year commencing the following July 1, in accordance with State law. The operating budgets include proposed expenditures and the proposed sources of financing for such expenditures. Prior to June 22, a public hearing is conducted to obtain taxpayer input. Budgets are adopted and control of budget appropriations is exercised, under State law, at the department level. Budget amendments are required to increase expenditure budgets.

The annual budget for the General Fund is prepared in accordance with the basis of accounting utilized by that fund. The budget for the Enterprise Fund is adopted under a basis consistent with GAAP. Original expenditures in the General Fund were not increased. The amended budget for the General Fund is presented in the Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual. All annual appropriations lapse at fiscal year-end.

Property Taxes – Property taxes are collected by the Iron County Treasurer and remitted to the Town in two installments in December and March. Taxes are levied each August 1, on the taxable value listed as of the prior January 1, for all real property located in the Town. Taxable values are established by the County Assessor at 68 percent of the fair market value on primary residential property and 100 percent of the fair market value on non-primary residential property. A revaluation of all property is required to be completed no less than every five years. Taxes are due and payable on November 1 and delinquent after November 30 of each year, at which time they become liens if not paid. Accruals of uncollected current and prior year's property taxes are made based on subsequent receipts within sixty days of year end and are included in the amount due from other governments on the balance sheet, when applicable.

Capital Assets – Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the Town as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

BRIAN HEAD TOWN, UTAH
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Major outlays for capital assets and improvements are capitalized as projects are constructed. Property, plant, and equipment of the primary government is depreciated using the straight line method over the following estimated useful lives:

Water Distribution System	20 to 50 years
Sewer Distribution System	50 years
Snowmaking System	40 years
Buildings	40 years
Equipment	3 to 20 years
Roads and Improvements	15 years

Compensated Absences – Permanent Town employees accumulate one working day of sick leave for each month of service. A maximum of twelve working days may be accumulated. The town does not buy back accumulated sick leave upon termination of employment. Permanent Town employees accrue vacation leave in varying amounts depending on the amount of service. An employee may carry over into the following calendar year the amount of vacation leave that the employee accrues in one year. Any accumulated vacation leave in excess of that earned yearly will be lost at the end of the calendar year. Vacation and sick leave are charged to operations as they are used. No provision has been made in the financial statements for unused leave as the probable payments for accumulating leave benefits would not be material.

Inventories – Inventories in all fund types are immaterial and are not recorded.

Estimates – Generally accepted accounting principles require management to make estimates and assumption that affect assets and liabilities, contingent assets and liabilities, and revenues and expenditures. Actual results could differ from those estimates.

Encumbrances – Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is not employed by the Town.

Cash and Cash Equivalents – For purposes of reporting cash flows, cash and cash equivalents are considered to be cash-on-hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

NOTE 2. CASH AND INVESTMENTS

The Town's deposits and investments are governed by the Utah Money Management Act (Utah Code Annotated, Title 51, Chapter 7, "the Act") and rules of the Utah Money Management Council ("the Council"). Following are discussions of the Town's exposure to various risks related to its cash management activities.

BRIAN HEAD TOWN, UTAH
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

NOTE 2. CASH AND INVESTMENTS (continued)

Custodial Credit Risk

Deposits. Custodial credit risk for deposits is the risk that in the event of a bank failure, the Town's deposits may not be recovered. The Town's policy for managing custodial credit risk is to adhere to the Money Management Act. The Act requires all deposits of the Town to be in a qualified depository, defined as any financial institution whose deposits are insured by an agency of the federal government and which has been certified by the Commissioner of Financial Institutions as meeting the requirements of the Act and adhering to the rules of the Council. As of June 30, 2006, \$63,311 of the Town's bank balance of \$163,311 were uninsured and uncollateralized.

Investments. Custodial credit risk for investments is the risk that in the event of failure of the counterparty, the Town will not be able to recover the value of its investments that are in the possession of an outside party. As with Deposits, the Town's policy for managing custodial credit risk of investments is to adhere to the Money Management Act.

Credit Risk

Credit risk is the risk that the counterparty to an investment will not fulfill its obligations. The Town's policy for limiting the credit risk of investments is to comply with the Money Management Act.

The Town is authorized to invest in the Utah Public Treasurer's Investment Fund (PTIF), an external pooled investment fund managed by the Utah State Treasurer and subject to the Act and Council requirements. The PTIF is not registered with the SEC as an investment company, and deposits in the PTIF are not insured or otherwise guaranteed by the State of Utah. The PTIF operates and reports to participants on an amortized cost basis. The income, gains, and losses, net of administration fees, of the PTIF are allocated based upon the participant's average daily balances. The PTIF pool has not been rated.

As of June 30, 2006, the Town had the following investments:

	Fair Value	Investment Maturities (years)	
		Less than 1	1 - 5
PTIF	\$ 1,704,029	\$ 1,704,029	\$ -
U.S. Treasuries	177,799	177,799	-
	<u>\$ 1,881,828</u>	<u>\$ 1,881,828</u>	<u>\$ -</u>

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Town manages its exposure to declines in fair value by investing mainly in the PTIF and by adhering to the Money Management Act. The Act requires that the remaining term to maturity of investments may not exceed the period of availability of the funds to be invested.

BRIAN HEAD TOWN, UTAH
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

NOTE 2. CASH AND INVESTMENTS (continued)

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributable to the magnitude of a government's in a single issuer. The Town's investments are in the PTIF, U.S. Treasuries, and qualified institutions. The Town's investments have no concentration of credit risk.

NOTE 3. ACCOUNTS RECEIVABLE

Accounts receivable as of June 30, 2006 consisted of the following:

	General Fund	Enterprise Funds	Total
Garbage and Landfill	\$ 42,623	\$ -	\$ 42,623
Water	-	120,582	120,582
Sewer	-	51,373	51,373
Municipal Energy Taxes	12,934	-	12,934
Other	4,756	-	4,756
	<u>\$ 60,313</u>	<u>\$ 171,955</u>	<u>\$ 232,268</u>

No allowance has been made for bad debts because any uncollectible accounts are believed to be immaterial.

NOTE 4. CAPITAL ASSETS

The following is a summary of capital asset activity in the governmental funds during the year ended June 30, 2006:

	Balance 6/30/05	Additions	Retirements	Balance 6/30/06
Land	\$18,972,980	\$ -	\$ -	\$18,972,980
Buildings	2,415,831	-	-	2,415,831
Roads & Improvements	2,293,334	31,833	-	2,325,167
Machinery & Equipment	823,315	307,498	161,746	969,067
Construction in Progress	1,732,190	23,011	-	1,755,201
Accumulated Depreciation	(1,363,595)	(288,353)	148,246	(1,503,702)
	<u>\$24,874,055</u>	<u>\$ 73,989</u>	<u>\$ 309,992</u>	<u>\$24,934,544</u>

BRIAN HEAD TOWN, UTAH
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

NOTE 4. CAPITAL ASSETS (continued)

The Property, Plant & Equipment of the Enterprise Funds consist of the following:

	Balance 6/30/05	Additions	Retirements	Adjustments	Balance 6/30/06
Land & Water Rights	\$ 3,203,176	\$ -	\$ -	\$ -	\$ 3,203,176
Water System	6,027,011	-	-	(511,486)	5,515,525
Sewer System	1,433,575	88,312	-	511,486	2,033,373
Machinery & Equipment	134,282	-	6,742	-	127,540
Snowmaking System	4,064,374	-	-	-	4,064,374
Accumulated Depreciation	(3,454,170)	(270,430)	(6,742)	-	(3,717,858)
	<u>\$11,408,248</u>	<u>\$ (182,118)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$11,226,130</u>

Depreciation expense for the year ended June 30, 2006 for governmental and business type activities are as follows:

Governmental Activities:

General Government	\$ 65,452
Public Safety	47,933
Public Works	20,741
Culture & Recreation	5,246
Infrastructure	148,981
Total depreciation expense - governmental activities	<u>\$ 288,353</u>

Business-type Activities:

Water	\$ 120,339
Sewer	48,482
Snowmaking Lease	101,609
Total depreciation expense - business-type activities	<u>\$ 270,430</u>

NOTE 5. LONG-TERM DEBT

The following is a summary of long-term debt transactions of the Town for the fiscal year ended June 30, 2006:

	General Obligation Bonds	Revenue Bonds	Other	Total
Balance at June 30, 2005	\$ 7,901,349	\$ 979,000	\$ 1,430,000	\$10,310,349
New Debt Issued	2,280,000	-	-	2,280,000
Principal Retired	(214,821)	(123,000)	(430,000)	(767,821)
Debt Refunded	(2,030,000)	-	-	(2,030,000)
Balance at June 30, 2006	<u>\$ 7,936,528</u>	<u>\$ 856,000</u>	<u>\$ 1,000,000</u>	<u>\$ 9,792,528</u>

BRIAN HEAD TOWN, UTAH
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

NOTE 5. LONG-TERM DEBT (continued)

General Obligation Bonds payable at June 30, 2006, are comprised of the following individual issues:

Water General Obligation bond with monthly payments of \$750 payable to the Farmers Home Administration through 2018 bearing interest of 5%.	\$ 81,528
Series 1999 General Obligation Bonds with annual payments of \$55,000 to \$185,000 through 2022 bearing interest from 5.5% to 6.45%.	330,000
Series 2004 General Obligation Refunding Bonds with annual payments of \$125,000 to \$185,000 through 2019 bearing interest of 2.0 % to 5.0%.	2,025,000
Series 2005A General Obligation Refunding Bonds with annual payments of \$145,000 to \$310,000 through 2019 bearing interest of 4.5 % to 5.1%.	3,230,000
Series 2005B General Obligation Refunding Bonds with annual payments of \$10,000 to \$200,000 through 2024 bearing interest of 3.95%.	2,270,000
Total General Obligation Bonds Payable at June 30, 2006	<u><u>\$7,936,528</u></u>

Revenue Bonds Payable at June 30, 2006, are comprised of the following individual issues:

Subordinated Water Revenue bonds, series 1992 with annual principal payments of \$27,000 to \$57,000 through 2012 bearing interest of 4%.	\$ 352,000
Lease Revenue Bonds, Series 1997 issued by the Municipal Building Authority of the Town of Brian Head, Utah. Bonds are secured by a lease agreement with Brian Head Town payable in semi-annual installments of various amounts on October 1 and April 1 of each year through 2018. The bonds bear a net interest cost of 6%.	410,000
Lease Revenue Bonds, Series 1995 issued by the Municipal Building Authority of the Town of Brian Head, Utah. Bonds are secured by a lease agreement with Brian Head Town payable in semi-annual installments of various amounts on November 1 and May 1 of each year through 2008. The bonds bear a net interest cost of between 5.6% and 6.55%.	94,000
Total Revenue Bonds payable at June 30, 2006	<u><u>\$ 856,000</u></u>

BRIAN HEAD TOWN, UTAH
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

NOTE 5. LONG-TERM DEBT (continued)

Other Long-term Debt at June 30, 2006 is comprised of the following:

Special Assessment bonds, Steam Engine Meadows Series November 12, 2002, with principal payments due annually on November 1 of each year of between \$140,000 and \$215,000 through 2012 bearing interest of 5.35%	\$ 1,000,000
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Total other long-term debt payable at June 30, 2006	<u>\$ 1,000,000</u>
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Series 1992 subordinated water revenue bonds constitute special obligations of the Town solely secured by a lien on and pledge of the net revenues of the water utility system.

The revenue bonds are collateralized by the revenue of the above funds and the various special funds established by the bond ordinances. The ordinances provide that the revenue of the systems is to be used first to pay operating and maintenance expenses and second to establish and maintain the revenue bond funds. Any remaining revenues may then be used for any lawful purpose. The ordinances also contain certain provisions which require the Town to maintain pledged revenues, as defined in the ordinances, for each year sufficient to pay the annual debt service requirements.

The Town issued \$1,730,000 of special assessment debt in 2002 to provide funds for the construction of streets, water and sewer lines and other improvements in the Steam Engine Meadows subdivision. These bonds will be repaid from amounts levied against the properties benefited by the construction.

The Town issued \$2,150,000 of Series 2004 General Obligation Refunding Bonds in 2004 to refund the Series August 14, 2002 Revenue Anticipation Notes. The bonds will be repaid from revenues generated by the Water Utility Fund.

The Town issued \$3,230,000 of Series 2005A General Obligation Refunding Bonds in 2005 to refund the Series 1993A, B, C and D Snowmaking Revenue Bonds. The bonds will be repaid from revenues generated by the lease of snowmaking equipment in the Snowmaking Lease Fund.

The Town issued \$2,280,000 of Series 2005B General Obligation Refunding Bonds in 2006 to partially refund the Series 1999 General Obligation Bonds. The refunding decreased the Town's total debt service over the next 18 years by \$1,744,057 and resulted in an economic gain (the difference between the present values of the debt service payments on the old and new debt) of \$196,091. The bonds will be repaid from property taxes assessed and collected by The Town.

BRIAN HEAD TOWN, UTAH
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

NOTE 5. LONG-TERM DEBT (continued)

The annual requirements to amortize all long-term debt outstanding as of June 30, 2006, are as follows:

Year Ending June 30	General			Proprietary Funds		
	Principal	Interest	Total	Principal	Interest	Total
2007	\$263,984	\$194,128	\$458,112	344,983	247,165	592,148
2008	270,158	178,398	448,556	371,063	233,069	604,132
2009	267,000	162,772	429,772	358,488	218,499	576,987
2010	289,000	146,730	435,730	375,769	204,074	579,843
2011	306,000	129,510	435,510	393,064	188,954	582,018
Thereafter	2,653,000	687,057	3,340,057	3,900,019	874,548	4,774,567
Total	<u>\$ 4,049,142</u>	<u>\$ 1,498,595</u>	<u>\$ 5,547,737</u>	<u>\$ 5,743,386</u>	<u>\$ 1,966,309</u>	<u>\$ 7,709,695</u>

NOTE 6. COMPONENTS OF APPROPRIATED FUND BALANCE AND RETAINED EARNINGS

The components of appropriated fund balance and retained earnings at June 30, 2006, are as follows:

	General Fund	Debt Service Fund	Capital Projects Fund	Proprietary Funds	Total
Bond Reserves	\$ 169,127	\$ 327,594	\$ -	\$ 297,640	\$ 794,361
Impact Fees	21,791	-	-	379,816	401,607
Reserved for:					
Capital Projects		-	359,545	-	359,545
Total	<u>\$ 190,918</u>	<u>\$ 327,594</u>	<u>\$ 359,545</u>	<u>\$ 677,456</u>	<u>\$ 1,555,513</u>

NOTE 7. INTERFUND RECEIVABLES AND PAYABLES

The following is a reconciliation of the interfund receivables and payables for Brian Head Town.

	Interfund Receivables	Interfund Payables
General Fund	\$ -	\$ 593,992
Debt Service Fund	249,499	-
Capital Projects Fund	186,864	-
Water Utility Fund	106,442	-
Sewer Utility Fund	130,882	-
Snowmaking Lease Fund	-	79,695
Total All Funds	<u>\$ 673,687</u>	<u>\$ 673,687</u>

The balances receivable and due are for operating loans that will be repaid from current and future operating revenues.

BRIAN HEAD TOWN, UTAH
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

NOTE 8. INTERFUND TRANSFERS

Individual fund transfers for the fiscal year were as follows:

	Transfers In	Transfers Out
General Fund	\$ 219,907	\$ 162,179
Debt Service Fund	44,734	-
Capital Projects Fund	117,445	-
Water Utility Fund	-	724,691
Sewer Utility Fund	599,798	102,914
Snowmaking Lease Fund	7,900	-
Total All Funds	<u>\$ 989,784</u>	<u>\$ 989,784</u>

Transfers are used to (1) move revenues from the General Fund that statute of budget requires to collect them to the Capital Projects Fund and the Debt Service Fund that statute or budget requires to expend them, (2) move capital expenditures from the Water Utility Fund which paid for them and will benefit from them to the Sewer Utility Fund which they are applicable to, (3) permanently move funds from the Water and Sewer Utility Funds to the Snowmaking Lease Fund and the General Fund as operating fund transfers.

NOTE 9. RESTRICTED ACCOUNTS - BOND COVENANTS

Brian Head Town maintains the following balances in compliance with various bond agreements:

MBA Bond Sinking Fund	\$ 71,400
Special Assessment Bond Reserve Fund	173,000
Total	<u>\$ 244,400</u>

The above amounts represent escrow, reserve, emergency repair, and sinking funds restricted for payment of bond principal, interest and construction costs as they come due.

NOTE 10. LITIGATION

The Town is involved in various litigation as of June 30, 2006, none of which, in the opinion of the Town's legal council, is material to the financial statements. Therefore, no amounts have been recorded in the financial statements of the town for the period ended June 30, 2006.

NOTE 11. RISK MANAGEMENT

Brian Head Town, Utah is subject to various types of risk such as tort actions, theft, damage or destruction of assets by intent or acts of God, and job related illness or injury. The Town has procured commercial insurance coverage, which in the Town's estimation, is adequate to reduce the risk of loss to a manageable level.

BRIAN HEAD TOWN, UTAH
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

NOTE 12. PROPRIETARY FUND DEFICIT

The Town's snowmaking lease revenue fund operated at a deficit during the year and has a deficit balance in retained earnings. This situation occurred partly because of variations in interest expense charged to operations over the life of the bonds. This deficit will reverse in later years.

NOTE 13. DEFINED BENEFIT PENSION PLAN

Plan Description. Brian Head Town contributes to the Local Governmental Contributory Retirement System (Contributory System) and Public Safety Retirement System (Public Safety System) for employers with Social Security coverage, all of which are cost-sharing multiple-employer defined benefit pension plans administered by the Utah Retirement Systems (Systems). The Systems provide retirement benefits, annual cost of living allowances, death benefits and refunds to plan members and beneficiaries in accordance with retirement statutes established and amended by the State Legislature.

The Systems are established and governed by the respective sections of Chapter 49 of the Utah Code Annotated 1953 (Chapter 49) as amended, Which also establishes the Utah State Retirement Office (Office) for the administration of the Utah Retirement Systems and Plans. Chapter 49 places the Systems, the Office and related plans and programs under the direction of the Utah State Retirement Board (Board) whose members are appointed by the Governor. The Systems issue a publicly available financial report that includes financial statements and required supplementary information for the Systems and Plans. A copy of the report may be obtained by writing to the Utah Retirement Systems, 540 East 200 South, Salt Lake City, UT 84102 or by calling 1-800-365-8772.

Funding Policy. Plan members are required to contribute a percent of their covered salary (all or part may be paid by the employer) to the respective systems to which they belong; 6% to the Contributory and 12.29% to the Public Safety Contributory Retirement Systems respectively. Brian Head Town is required to contribute a percent of covered salary to the respective systems, 7.08% to the Contributory and 7.70% to the Public Safety Contributory. The contribution rates are the actuarially determined rates and are approved by the Board as authorized by Chapter 49.

Brian Head Town contributions to the various systems for the years ending June 30, 2006, 2005 and 2004 respectively were; for the Contributory System, \$36,822, \$45,911, and \$41,848; and \$44,897, \$41,724 and \$32,203 for the Public Safety Contributory, respectively. The contributions were equal to the required contributions for each year.

NOTE 14. MUNICIPAL BUILDING AUTHORITY LEASE

Maintenance Facility Lease Arrangement

On November 1, 1995, the Municipal Building Authority of The Town of Brian Head, Utah (the Authority) entered into a lease arrangement with Brian Head Town for a maintenance facility. Pursuant to the lease arrangement, the Authority constructed the facility. In order to construct the facility, the Authority issued a lease revenue bond in the amount of \$714,000.

BRIAN HEAD TOWN, UTAH
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

NOTE 14. MUNICIPAL BUILDING AUTHORITY LEASE (continued)

The initial term of the lease commenced as of the date of delivery of the Lease Revenue Bonds and terminates on each June 30 thereafter. The lease term may be continued, solely at the option of Brian Head Town, beyond the termination of the original term for an additional year, and for 12 consecutive additional renewal terms thereafter each of one year in duration except that the final renewal term will commence July 1, 2007 and end on November 1, 2007. The Town makes an election to continue the lease for the next renewal term by budgeting sufficient Town funds to pay the base and reasonably estimated additional rentals due during the next renewal term.

The Town and the Authority acknowledge and agree that the obligation of the Town to pay base rentals and additional rentals constitutes a current expense of the Town payable exclusively from Town funds and shall not in any way be construed to be an obligation or indebtedness of the Town. The lease is to be deemed a net lease.

The terms of the lease require Brian Head Town to pay certain base rentals which approximate the principal and interest due on the lease revenue bonds issued by the Authority. The following table summarizes the base rental payments.

Schedule of Base Rental Payments

Schedule of Base Rental Payments	
	Attributable to
Fiscal Year	Series 1995
Total	Bonds
2007	\$ 64,162
2008	35,114
Total	<u>\$ 99,276</u>

In addition to the base rentals, the lease requires the Town to pay additional rentals which are defined as any costs of the Trustee associated with the administration of the bond trust accounts as well as the costs of maintenance, operation, and repair of the leased property. The Town, at its option, may exercise a purchase option for the purpose of terminating the payment obligation of the Town under this lease and purchasing the Authority's interest in the project. The purchase option shall be an amount, when added to amounts being held by the Trustee for payment of bonds, sufficient to pay, defease, retire and/or redeem all the outstanding bonds, as appropriate, in accordance with the provisions of the indenture.

Town Hall Lease Arrangement

On October 1, 1997, the Municipal Building Authority of The Town of Brian Head, Utah (the Authority) entered into a lease arrangement with Brian Head Town for the acquisition and remodel of a new town hall. In order to acquire and construct a new town hall, the Authority issued a lease revenue bond issue in the amount of \$560,000.

BRIAN HEAD TOWN, UTAH
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

NOTE 14. MUNICIPAL BUILDING AUTHORITY LEASE (continued)

The initial term of the lease commenced as of the date of delivery of the Bonds and terminates on each October 1 thereafter. The lease term may be continued, solely at the option of Brian Head Town, beyond the termination of the original term for an additional year and for 12 consecutive additional renewal terms thereafter each of one year in duration. The Town makes an election to continue the lease for the next renewal term by budgeting sufficient Town funds to pay the base and reasonably estimated additional rentals due during the next renewal term.

The Town and the Authority acknowledge and agree that the obligation of the Town to pay base rentals and additional rentals constitutes a current expense of the Town payable exclusively from Town funds and shall not in any way be construed to be an obligation or indebtedness of the Town. The lease is to be deemed a net lease.

The terms of the lease require Brian Head Town to pay certain base rentals which approximate the principal and interest due on the lease revenue bonds issued by the Authority. The following table summarizes the base rental payments.

Schedule of Base Rental Payments	
Attributable to	
Fiscal Year	Series 1995
Total	Bonds
2007	38,209
2008	39,316
2009	39,370
2010	40,370
2011	41,299
2012	42,157
2013	41,961
2014	43,694
2015	44,337
2016	44,909
2017	45,410
2018	46,821
Total	<u>\$ 507,853</u>

In addition to the base rentals, the lease requires the Town to pay additional rentals which are defined as any costs of the Trustee associated with the administration of the bond trust accounts as well as the costs of maintenance, operation, and repair of the leased property.

BRIAN HEAD TOWN, UTAH
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

NOTE 15: CAPITAL LEASES

Brian Head Town has entered into a capital lease agreements for a fire engine which is accounted for in the general fund. The Town's capital lease obligation at June 30, 2006, is comprised of the following lease:

Capital lease obligation with annual payments of \$36,582 payable to GE Capital Public Finance through 2011 bearing interest of 4.98%.	\$ 145,475
Total Capital Lease Obligations at June 30, 2005	<u>\$ 145,475</u>

The leases require the following scheduled payments:

Year Ending June 30	Principal	Interest	Total
2007	26,338	7,245	33,583
2008	27,650	5,933	33,583
2009	29,026	4,556	33,582
2010	30,472	3,111	33,583
Thereafter	31,989	1,593	33,582
Total	<u>\$ 145,475</u>	<u>\$ 22,438</u>	<u>\$ 167,913</u>

The following is a summary of capital lease transactions of the Town for the fiscal year ended June 30, 2006:

Capital Lease Obligations at June 30, 2005	\$ 170,563
New Lease Obligations	-
Principal Retired	(25,088)
Capital Lease Obligations at June 30, 2006	<u>\$ 145,475</u>

The following is a summary of assets leased by the Town under capital leases as of June 30, 2006:

	General Fund
Equipment	<u>\$ 218,232</u>
Less: Accumulated Depreciation	(44,859)
Carrying Value at June 30, 2006	<u>\$ 173,373</u>

BRIAN HEAD TOWN, UTAH
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

NOTE 16. OPERATING LEASES

The Town entered into three agreements with Wheeler Machinery Co. to lease equipment. The agreements are for three years each running through October 1, 2007, March 2, 2008 and August 29, 2008 with annual payments of \$19,100; \$42,159; and \$7,600. In addition to the regular lease payments, the Town is responsible for maintenance costs of the equipment.

As of June 30, 2006, the future minimum lease payments are as follows:

Fiscal Year Ended June 30,	Total
2007	68,859.00
2008	50,031.00
2009	1,267.00
	<u>120,157.00</u>

Brian Head Town
Budgetary Comparison Schedule
General Fund
For the Fiscal Year Ended June 30, 2006

	General Fund			
	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES:				
Property Taxes	\$ 654,772	\$ 654,772	\$ 583,518	\$ (71,254)
Franchise, Sales and Other Taxes	417,900	420,900	464,749	43,849
Licenses & Permits	275,450	323,450	341,960	18,510
Intergovernmental Revenue	62,681	64,009	69,313	5,304
Charges for Services	236,100	319,550	320,314	764
Fines & Forfeitures	9,000	7,000	7,073	73
Special Assessments	232,050	325,286	325,286	-
Interest Income	10,000	24,639	36,903	12,264
Miscellaneous Revenue	48,366	67,366	70,241	2,875
Total Revenue	<u>1,946,319</u>	<u>2,206,972</u>	<u>2,219,357</u>	<u>12,385</u>
EXPENDITURES:				
Legislative	13,860	14,460	14,441	19
Administrative	254,753	257,753	257,537	216
Legal	30,000	35,500	37,888	(2,388)
Non-Departmental	363,062	315,562	313,072	2,490
Planning & Zoning	32,565	39,511	39,146	365
Police Protection	467,931	465,931	465,884	47
Fire Protection	117,047	166,947	164,571	2,376
Building Inspection	64,105	54,311	53,465	846
Streets & Public Improvements	151,632	281,395	279,617	1,778
Sanitation	97,686	81,609	80,713	896
Shop & Garage	186,425	165,925	165,237	688
Parks & Recreation	117,210	82,310	81,520	790
Capital Expenditures	-	23,010	23,010	-
Debt Service:				
Principal	160,000	430,000	430,000	-
Interest & Fiscal Charges	72,050	91,890	91,890	-
Total Expenditures	<u>2,128,326</u>	<u>2,506,114</u>	<u>2,497,991</u>	<u>8,123</u>
OTHER FINANCING SOURCES (USES):				
Proceeds From Sale of Capital Assets	44,000	12,000	11,868	(132)
Operating Transfers in	183,731	242,511	219,907	(22,604)
Operating Transfers out	(72,750)	(188,600)	(162,179)	26,421
Total Other Sources (Uses)	<u>154,981</u>	<u>65,911</u>	<u>69,596</u>	<u>3,685</u>
Excess (Deficiency) of Revenue & Other Financing Sources (Uses)				
Over Expenditures	<u>(27,026)</u>	<u>(233,231)</u>	<u>(209,038)</u>	<u>(24,193)</u>
Fund Balance - July 1	423,532	423,532	423,532	-
Fund Balance - June 30	<u>\$ 396,506</u>	<u>\$ 190,301</u>	<u>\$ 214,494</u>	<u>\$ (24,193)</u>

SUPPLEMENTARY INFORMATION

Brian Head Town
Debt Service Fund
Statement of Revenues, Expenditures
And Changes in Fund Balance - Budget and Actual
For the Fiscal Year Ended June 30, 2006

	Debt Service			Variance
	Original Budget	Final Budget	Actual	Favorable (Unfavorable)
REVENUES:				
Taxes	\$ 225,378	\$ 225,378	\$ 268,464	\$ 43,086
Interest Income	1,100	1,100	1,811	711
Total Revenue	<u>226,478</u>	<u>226,478</u>	<u>270,275</u>	<u>43,797</u>
EXPENDITURES:				
Principal	155,000	126,500	131,735	(5,235)
Interest & Fiscal Charges	174,682	170,728	145,367	25,361
Bond Issue Costs	-	-	51,299	(51,299)
Total Expenditures	<u>329,682</u>	<u>297,228</u>	<u>328,401</u>	<u>(31,173)</u>
OTHER FINANCING SOURCES (USES):				
Operating Transfers in	103,204	45,001	44,734	267
Operating Transfers out	-	-	-	-
Proceeds from Long-term Debt	-	-	2,280,000	2,280,000
Deposit to Bond Refunding Escrow	-	-	(2,228,702)	(2,228,702)
Total Other Sources (Uses)	<u>103,204</u>	<u>45,001</u>	<u>96,032</u>	<u>(51,031)</u>
Excess (Deficiency) of Revenue & Other Financing Sources (Uses)	-	-	-	-
Over Expenditures	-	(25,749)	37,906	(63,655)
Fund Balance - July 1	<u>289,688</u>	<u>289,688</u>	<u>289,688</u>	-
Fund Balance - June 30	<u>\$ 289,688</u>	<u>\$ 263,939</u>	<u>\$ 327,594</u>	<u>\$ (63,655)</u>

BRIAN HEAD

April 17, 2007

Mr. Wayne Everett
Hafen, Buckner, Everett & Graff, PC
90 East 200 North
St. George, UT 84770

Dear Mr. Everett:

Thank you for the audit report and associated information presented during the Brian Head Town Council Meeting on March 27, 2007. Having reviewed the Management Letter and the findings, we have prepared a corrective action plan for each item of non-compliance. The contact person responsible is listed beside each item.

Expenditures in Excess of Budget – Town Treasurer, Suzette Bulloch – Completion Date: 06/30/07

It appears that our efforts of late paid off as the only department that had expenditures in excess of budget was our legal department. As you mentioned, our contracted provider did not provide a billing for two (2) months prior to the end of our budget cycle and the estimated costs which we were provided were short. In the event that this should happen again, we will make certain to double the estimated costs to ensure that there is sufficient amounts budgeted. Likewise, we will continue to have department heads review their budgets on a regular basis to ensure that expenditures are within budgeted amounts.

Cash Deposits – Town Recorder, Nancy Leigh – Completion Date: Completed

We were already aware of some instances where deposits were not made within three (3) banking days as required by state statute. To rectify this problem, we are now making deposits every Monday, Wednesday, and Friday.

Records Retention – Town Recorder, Nancy Leigh – Completion Date: 06/30/07

The Town is currently in the process of establishing and maintaining a records management program. We anticipate the appointment of a records officer to work with the state archives in the care, maintenance, scheduling, disposal, classification, design, access, and preservation of records. A database has been started relative to the documentation that we have on file. Brian Head Town plans to follow the state archivist's established guidelines for proposed retention schedules and will submit the designated classification thereto of all records series.

Unclaimed Property – Town Treasurer, Suzette Bulloch – Completion Date: 04/30/07

The Town will report and submit unclaimed property to the state in accordance with state statute on a routine basis prior to May 1st of each year.

Sincerely,



H.C. Deutschlander, Mayor
BRIAN HEAD TOWN

pc: Town Council Members
Town Staff

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